

Facilitating Sales of City-Owned Land to Private Enterprises

St. Petersburg and Nizhny Novgorod, Russia

Background

Among the top priorities for reform following the collapse of the Soviet Union in 1991 was the privatization of state-run enterprises. Most had been privatized by late 1994, but the land beneath and around them was still controlled by the municipal government. Under Russian law, enterprises have typically had land use rights that are not easily transferable. The absence of a transfer mechanism impeded the establishment of a real estate market, thereby impeding development, investment, and efficient land use. With the security of land tenure and the availability of additional capital that government-to-enterprise title transfer would engender, it was thought that enterprises would be better able to attract domestic and foreign investment. Land privatization was seen as the next vital step in the Russian Federation's efforts to create a market-oriented economic system. The goal of the Enterprise Land Sales (ELS) Initiative was to demonstrate the benefits of land privatization and to train a large cadre of professional Russian staff in ELS concepts and methodology so that the approach and mechanism could be institutionalized.

Innovation

Beginning with a pilot effort in St. Petersburg (population 5 million) and Nizhny Novgorod (population 1.25 million) in November 1994, enterprises identified parcels of land for possible title transfer and began the application/sales process. Municipal and regional government analyzed and revised their legislation. All efforts were coordinated closely with the State Property Management Committee, but efforts focused on government officials at the local level. The cities created working groups of city officials to oversee the initiative. The working groups drafted regulations on procedures for selling land to the owners of enterprises, application forms, title forms, and buy-sell agreements for the land parcels. Procedural forms were prepared for comments and approvals from various government agencies, such as the Committee for Land Resources and Land Management. The mayors then issued orders authorizing and approving the draft regulations. Municipal personnel were trained in procedures for processing enterprise land sale applications. Publicity campaigns were organized to inform enterprise managers and the general public of the project.

Local Property Funds, municipal government agencies charged with planning and implementing land reform, received applications from enterprises and coordinated the applications and preliminary parcel maps with relevant government agencies. The property funds also negotiated any problems with the purchaser, prepared and signed the buy-sell agreements, and notified the Committee for Land Resources and Land Management to issue and register title. The costs to cities implementing this practice can be covered by fees charged to the applicants. Training materials are available, including the manual used for the ELS Initiative in Russia based on the experiences in St. Petersburg and Nizhny Novgorod and supplemented by model forms and enabling regulations.

Results

In the fall of 1995 the practice was expanded to over 30 cities and oblasts across Russia. As of July 1996, 406 transactions had been completed, and 1,174 were in progress. The initiative exposed many Russian real estate professionals and organizations to the ELS approach. Even with the uncertainty that surrounded Russia's presidential campaign, municipalities and enterprises responded enthusiastically.

Summary

To privatize land attached to enterprises and thereby encourage investment, Russian cities beginning with St. Petersburg and Nizhny Novgorod revised their legislation and initiated applications/sales to transfer land title. As of July 1996, 406 transactions had been completed, and 1,174 were in progress.

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